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SUBJECT: GREEK TOURISM IMPROVES AFTER 2004 OLYMPICS,
BUT OFFICIALS EXPRESS CONCERN ABOUT FUTURE

1. (U) Summary. Tourism in Greece is up in 2005, one year after the country played host to the Olympics. Tourist arrivals are projected to reach 14 million by the end of the year, marking a 10 percent increase over 2004, but receipts from tourism are projected to increase only 5 percent over last year's 9.6 billion euros (5.85 percent of GDP). Representatives of the tourist industry are concerned, however, that the increase wasn't larger and stress that better marketing, infrastructure improvement and quality controls of services offered are the keys to higher numbers both in arrivals and receipts in the future. End summary.

2. (U) Following the well-received 2004 Summer Olympics, tourism in Greece appears to be on the rise after four consecutive years of stagnation. By year-end, tourist arrivals are expected to reach 14 million, increase of 10 percent. However, tourist receipts are expected to increase by only 5 percent in 2005 due to a decrease in the average time spent in the country and a 13.8 percent drop (in constant prices) in per capita spending. This marginal increase in tourist revenue is the critical issue for Greece, whose large current account deficit is largely offset by receipts from shipping and tourism and net inflows from the EU.

3. (U) Representatives of the tourist industry are encouraged by the tourism rebound this year but are only guardedly optimistic about the future. General Director of the Association of Greek Tourist Agencies George Dracopoulos observed that the 2004 Olympics were the largest contributor to the increase in tourism but also noted that the terrorist attacks in Turkey and Egypt helped divert some tourists from those countries to Greece. The government's advertisement campaign (for the first time launched in a timely and organized fashion) also helped, but not as much as the Greek press or the Ministry of Tourism have claimed. Tourist industry officials stressed the need for the GoG to continue the advertisement campaign in a continuous and consistent fashion for several years, in order for it to have its maximum effect.

4. (U) Dracopoulos underlined that while 2005 has been a good year so far, it is the anomaly in a decade of decline, and that the problems, which have contributed to Greece's declining share of tourism, still remain. Improved infrastructure, better marketing, and an extension of the tourist season, are all issues needing to be addressed. Also, the quality of the tourist services provided (hotels, resorts, car rentals, restaurants, etc.) needs to be improved substantially. Spyros Ginis, President of the Greek Union of Air Travel Agencies, agreed on the need for both the private and public sectors to improve Greece's infrastructure, but also noted that the GoG needed to exercise consistent quality control over existing hotels, restaurants, taxis and bars. (Note: One recent quality control inspection of 43 restaurants and bars in Athens discovered that 100 percent of rum and tequila, and 50 percent of scotch and whiskey had been adulterated, generally with wood alcohol.) Both individuals were highly critical of the GoG's new development law, even though it contains a chapter on tourism, arguing that it should have laid even greater emphasis on the sector, which contributes up to 18 percent of GDP and provides jobs for 800,000 people.

5. (U) Comment. Over the last few weeks the Greek press has been exclaiming over Greece's "resurging" tourism in 2005. Experts in the industry, however, are much more restrained. There is no doubt that the GoG's early-and-often advertising campaign ("Live your Myth in Greece") and the legacy from the Athens 2004 Olympics helped this year's overall increase. Industry officials also applauded the establishment of a Ministry solely responsible for tourist matters. However, Greece faces systemic problems that will continue to plague the industry. Greek productivity is only 90 percent of the EU average, and inflation has run twice the EU average for the last several

years, making Greece an increasingly expensive destination. Also, Greece's tourist infrastructure, outside of improvements made for last year's Olympics, was largely put in place during the 60's and early 70's, and often does not reflect the tastes or interests of today's more affluent tourist. Many Greek island hotels lack enclosed showers or bathtubs, for instance, and roads to major archeological sites are often poorly marked and/or maintained.

16. Finally, as noted by both tourist officials, a 10 percent increase in tourist arrivals and only 5 percent in receipts, while better than the alternative, does not favorably compare to the much higher increases noted by other Olympic cities in the year after their Games; Spain, often cited as an example for Greece, received a 30 percent increase in tourists in its post-Olympic year. Also, benefits from the Olympics generally manifest the following year, which means that Greece has most likely enjoyed whatever bounce it was likely to get. If Greece is going to return to its halcyon tourist years of the 70s and 80s, it is going to take more than a catchy slogan. Tourist policy should focus on new investments and diversification designed to target special tourist interests, such as eco-tourism, spa and sea-therapy centers, or golfing. This could turn Greece into a year-round destination and attract high-income tourists. End Comment.

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